

**Statement of John M. Magill  
Deputy Director, Ohio Department of Development  
To  
The Subcommittee on Water Resources and Environment  
Of the Committee on Transportation and Infrastructure  
Of the  
U.S. House of Representatives**

**“Reauthorization of the Brownfields Program – Successes and  
Future Challenges”**

**June 8, 2006**

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Good morning Mr. Chairman and members of the Subcommittee, I am John Magill, Director of the Office of Urban Development. On behalf of Ohio Governor Bob Taft and Lt. Governor Bruce Johnson, Director of the Ohio Department of Development, I thank you for the opportunity discuss the important role of the Brownfields Program in Ohio’s successful brownfield redevelopment strategy.

Brownfield redevelopment is a critical element of Ohio and the nation’s economic security by turning liabilities into assets. Brownfields found in urban and rural America drain wealth and limit a community’s aspirations through a blighting influence or posing a health risk. To accomplish the task of physically changing property requires the collaboration of the federal and state governments, within a free market setting, attracting private capital leading to the creation of new wealth. Today, success is appearing across the country giving an impetus to discussion and hopefully actions to reauthorize the Brownfields Program.

Over the past five years, the State of Ohio has developed one of the nation’s best and most holistic brownfield programs by combining USEPA grants for Brownfield Revolving Loan Funds (BRLF), cleanups and assessments with Ohio’s \$200 million Clean Ohio Revitalization Fund. This program also enjoys the support of the Ohio EPA’s Voluntary Action Program. Together this strong federal and state relationship demonstrates the value of the federalism model with each entity conducting those activities it does best. This in turn, leads to economic and community development transformation of brownfields.

The Ohio Department of Development (ODOD) is uniquely positioned as to see the role of the USEPA grants in cleaning up and positioning property for economic redevelopment or to create or preserve parks and greenspace. ODOD over the past five years received two BRLF grants and two supplemental awards. With these resources ODOD has made four investments totaling \$2.45 million with an executed loan commitment of \$2 million anticipated to formally close in July.

ODOD chose to seek USEPA funding five years ago because we recognized the value of a flexible financing program's ability to address cleanups on any real property. This decision remains true today as we make loans to a variety of borrowers from townships, municipalities, limited liability corporations and park districts addressing a range of environmental issues from contaminated soils to asbestos. In each case the borrower relied upon the Brownfields Program to be a critical part of the financial structure for the cleanup.

The ability to bring the USEPA resources to a variety of property types and to achieve locally desired end uses, permits the dollars to be an integral part of complex environmental investments. Within Ohio's BRLF portfolio, the loan and grant combination to Columbus and Franklin County Metropolitan Park District is the best example of an innovative and transformational project. BRLF funds were expended to conduct soil remediation and demolition activities on 16 acres of the Whittier Peninsula in Columbus, a historic industrial and manufacturing site, which will become part of a new 80-acre urban park along the Scioto River. The Brownfield Program's encouragement of the creation and preservation of green space, allowed ODOD to bring the BRLF resource to a project with different objectives than what state dollars are often seeking, a direct economic development benefits. Metro Parks and the Audubon Society will invest more than \$10 million in the park and Metro Parks supported the cleanup activities with over \$250,000 of their own funds.

USEPA has taken action over the past years to strengthen the program including a change to permit properties purchased before 2001 to be eligible for the program. This adjustment brought many more properties into consideration for assessment and cleanup and recognized the reality of how land is acquired and later redeveloped. In many cases communities and other stakeholders gained control of vacant brownfields throughout 1990s to address health and redevelopment issues.

Like other states, Ohio, through the Ohio EPA, relies upon USEPA resources to support the administrative work and outreach related to its Voluntary Cleanup Program (VCP) and Brownfield assistance to communities. The Federal government grants enable states to undertake specific state policies and initiatives, which over time are able to bring forward new ideas and strategies to redevelop brownfields.

The Brownfield Program is an example of the governmental role to sustain commerce and facilitate the development of markets envisioned by the Founders. “The prosperity of commerce is now perceived and acknowledged by all enlightened statesman to be the most useful as the most productive source of national wealth, and has accordingly become a primary object of their political cares.”<sup>1</sup> Commerce cannot occur on a brownfield without cleanup, and the cost of this effort due to changes in the economic structure of industry and communities must be borne in a cooperative manner by private and public resources. Past uses on properties across the nation left a mark while helping to build the America we know. The challenge today is the leveraging and layering of financial resources to achieve new successes on old properties.

To remain a vibrant element of the brownfield landscape, the USEPA Brownfield Program needs to make two changes. The first change would be to create a focus on

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<sup>1</sup> Federalist Papers, Number 12

permitting and fostering the development of sustainable organizational frameworks. The second change to the program would be to place a premium on using USEPA dollars to leverage private capital and act as an equity investor in projects with community benefit.

A means to achieve a sustainable organizational structure that can be replicated across the nation is for USEPA to formally recognize the difference between assessment and cleanup grants and BRLF awards. Assessment dollars encourage communities and non-profits to seek out properties in order to determine their environmental condition and possible suitability for redevelopment. In a large number of brownfields throughout the nation, nature of contamination and possible health risks makes each assessment a valuable part of helping to characterize land based upon data and key information. Communities and non-profits in urban and rural America may have the administrative capacity and capability to undertake assessments grants. Targeted cleanup grants of \$200,000 for specific properties are similar to the assessment grants with a minimum of local administrative structure needed. The projects do not include longer monitoring due to repayments or a continued need to market the program. The value of the cleanup grants again enables USEPA to fund a larger number of projects showing brownfield redevelopment is viable. The challenge is the grant amount limits the type and nature of the cleanup and may not be part of a long-term strategy to redevelop brownfields in the greater community or region.

Underwriting the cost of cleanups, conducting due diligence and servicing loans are activities requiring greater levels of sophistication and resources beyond that supported by USEPA resources. Placing BLRFs at the regional and state level with organizations that have a history of successfully undertaking economic development lending is likely to increase the number and quality of loans. ODOT's program is administered through the Office of Urban Development whose staff includes individuals with business, lending and environmental

experience and background. In addition, ODOD draws upon its fiscal and legal offices to provide in-kind services enabling the program to meet its responsibilities and give borrowers a seamless transaction.

Organizations with an existing capacity and a deeper BRLF capital pool would be able to undertake larger and more complex loans, making a significant and quantifiable economic and community impact. Excluding its largest loan of \$2 million, Ohio's average loan amount is \$531,000. By simply making two loans, a grantee with a similar average loan size would deplete a \$1,000,000 BRLF grant. With a shorter time horizon and below market interest rate, it would take a grantee approximately three years to generate enough program income, principal and interest, to make the next average sized loan.

The Brownfields Program is better served by capitalizing larger loan funds with adequate resources to develop a portfolio producing revenues able to support continued loan activities. Without a commitment to sustaining grantees continued capacity USEPA is funding transactions, not viable redevelopment strategies.

In order to undertake a greater number of more complex cleanups, the Brownfields Program needs to look for specific ways to attract additional private capital. One attraction is the availability of new financial products including: loan guarantees, loan deferrals, balloon payments and types of collateral. Ohio's experience is that flexibility on the financial side brings new borrowers forward who are looking to conduct a cleanup requiring a lower source of capital in order for the project to occur.

Finally, USEPA guidelines and training related to investment are important components of a more robust and well-rounded brownfield program. Each grant for assessment, cleanup or BRLF will fund a select number of projects to be meaningful and sustainable, the choices will be based upon both environmental and economic factors.

Economic factors for every project, whether the potential end use is an industrial park or a new greenway, include analysis of cost estimates for reasonableness and ensuring there is adequate capital to complete the project. Training for grantees would be a vital step in ensuring grants are administered wisely and prudently to the projects most environmentally and economically helpful to communities.

The Brownfield Program, if reauthorized and fully funded, will lead to more innovative and dynamic brownfield redevelopment projects in Ohio and across the states.